



Nova Scotia

ANNUAL REPORT

*for the fiscal year
ending March 31, 1998*

Alcohol and Gaming
Authority



To His Honour

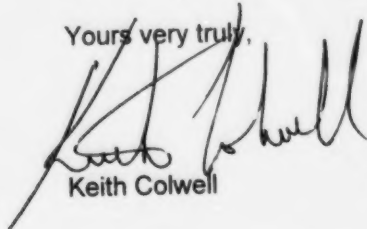
The Honourable J. James Kinley

Lieutenant-Governor of Nova Scotia

May It Please Your Honour:

I have the honour to submit the Annual Report of the Alcohol and Gaming Authority for the fiscal year ending March 31, 1998.

Yours very truly,

A handwritten signature in black ink, appearing to read 'Keith Colwell', written over the typed name.

Keith Colwell

Minister Responsible for the
Administration of Part II of the
Gaming Control Act



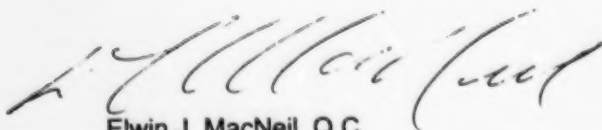
The Honourable Keith Colwell

Minister Responsible for the
Administration of Part II of the
Gaming Control Act

Dear Minister:

Presented herewith is the Annual Report pursuant to Section 66 of the *Gaming Control Act* for the year ending March 31, 1998. The Report reflects all activities of the Alcohol and Gaming Authority (including gaming, liquor, and theatre and amusement activities).

Yours very truly,

A handwritten signature in dark ink, appearing to read 'Elwin J. MacNeil', with a stylized flourish at the end.

Elwin J. MacNeil, Q.C.

Chair, Alcohol & Gaming Authority



MEMBERS OF THE BOARD

The members of the Alcohol and Gaming Authority for the year ending March 31, 1998 were:

Elwin J. MacNeil, Q.C., Chair

Margaret A.M. Shears, Vice-Chair

G. Wayne Beaton, Q.C., Member

M. Patricia Connelly, Ph.D., Member

Louis A. d'Entremont, Member

William M. MacDonald, Member

The Authority wishes to acknowledge and thank Jennifer A. Foster, Member, for her contributions to the Alcohol and Gaming Authority. Ms. Foster joined the Board in April 1995 and left in early 1998.



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EXECUTIVE DIRECTOR'S REPORT

The Nova Scotia Alcohol and Gaming Authority is pleased to report on its activities and finances for the 1997/98 fiscal year. This is a year marked by significant change, and continuous improvements in its operations and services.

The Alcohol and Gaming Authority was formed in April 1995, with the amalgamation of the Nova Scotia Liquor License Board, the Nova Scotia Lottery Commission, and the Nova Scotia Amusements Regulation Board. This amalgamation was completed in July 1997, at which time the Authority underwent a name change to more accurately reflect its responsibilities.

The Authority's three primary functions are to license and regulate the industry, and to produce an annual study of gaming in Nova Scotia.

In terms of regulating, the Authority's work this year comprises the following mix and approximate levels of activities:

▶ hearings (gaming and liquor related)	231
▶ gaming licences	6,700
▶ liquor licenses	180
▶ special occasion liquor licenses	8,500
▶ gaming supplier registrations	600
▶ gaming inspections/investigations/warnings	14,400
▶ liquor inspections/investigations/warnings	27,000
▶ amusement inspections/investigations/warnings/seizures	7,800
▶ film classifications (for Maritime Provinces)	1,900

In the process of licensing and regulating the gaming, liquor and amusement industries in 1997/98, the Authority recovered over \$10 million from various license fees and taxes. These revenues were primarily used to offset the Authority's operating costs.

During the past year, the Authority was actively engaged in its ongoing program of gaming monitoring and research. These activities culminated in the delivery to the Minister of a compendium of the year's gaming research in what is referred to as the Alcohol and Gaming Authority's Annual Gaming Report.

As a matter of course, the Authority endeavours to maintain and improve stakeholder relations. In 1997/98 for example, it provided consulting services to charitable bingos to improve their profitability; consulted with bingo operators in meetings set throughout the Province; attended and participated in various association meetings; and interviewed a full spectrum of gaming stakeholders (help-based organizations, churches, health institutions businesses and law enforcement officials) about their perceptions of gaming in Nova Scotia.

Several issues and developments marked the 1997/98 fiscal year at the Alcohol and Gaming Authority. For example, situations of liquor over-service; VLT credit granting; the broad introduction of ATM machines in liquor licensed establishments; growing interest in VLT plebiscites; and liquor related issues of the quiet enjoyment of property required the Authority's attention and diligence. The Authority also embarked on organizing and hosting the 1998 Canadian Gaming Regulators Association conference in Halifax.

The gaming industry in Nova Scotia is dynamic and evolving quickly. To prepare for the future, the Alcohol and Gaming Authority is currently reviewing many of its regulations, policies, and processes; streamlining licensing procedures; revamping its computer systems, and taking precautions to avoid Year 2000 computer problems.

We begin our fourth year of operation with a commitment to ensure honesty and integrity in gaming and to continue developing and implementing an effective regulatory framework covering all areas regulated by the Alcohol and Gaming Authority in the Province.

Dennis W. Kerr, Executive Director

ABOUT THE ALCOHOL AND GAMING AUTHORITY

Mandate

The Nova Scotia Alcohol and Gaming Authority was formed in 1995 as the Nova Scotia Gaming Control Commission. The name was changed in July 1997 to more accurately reflect responsibilities.

Our Mission

is to regulate gaming, liquor and amusements activities in Nova Scotia ensuring these activities are conducted with honesty, integrity and in the public interest.

The Alcohol and Gaming Authority is mandated under the provisions of:

- ▶ *Liquor Control Act*
- ▶ *Part II of the Gaming Control Act*
- ▶ *Theatres and Amusements Act*

Responsibilities under these acts include:

- ▶ licensing and regulation of the sale and possession of alcohol;
- ▶ licensing and regulation of lotteries, bingos, video lottery terminals, casinos and other games of chance;
- ▶ the licensing and regulation of theatres and places of amusement and the terms and conditions for public presentation, sale and rental of films; and
- ▶ to study and report on the public interest and reaction to various forms of gaming.

Goals

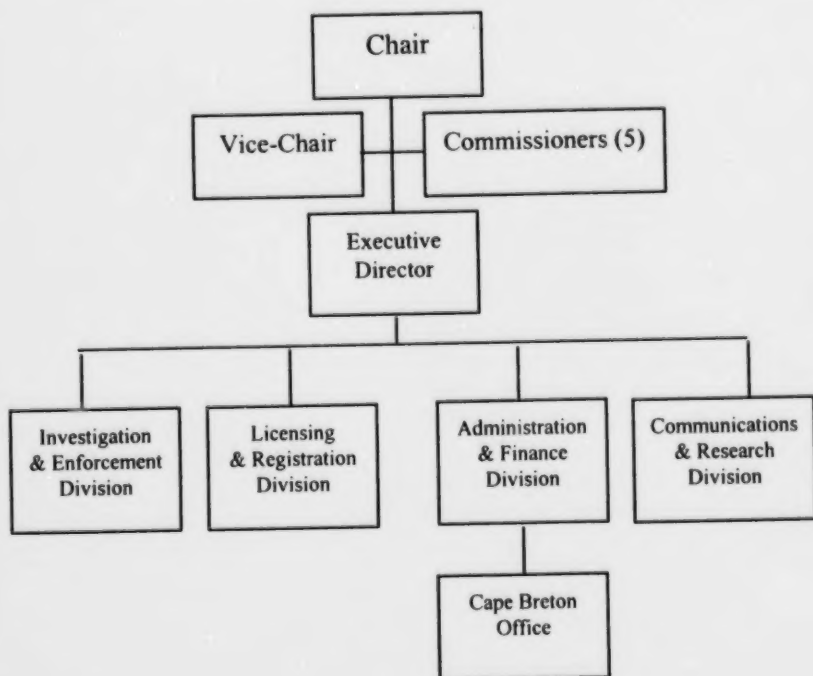
The current Authority Action Plan includes the following broad strategic goals:

- ▶ To ensure that gaming activities are conducted with honesty and integrity.
- ▶ To provide an ongoing review of gaming, liquor and amusement activities to ensure they are conducted in accordance with legislation and the public interest.
- ▶ To maintain the professional and technical skills necessary to adequately monitor the complex and evolving gaming industry.
- ▶ To provide open and accessible avenues of public and community input into the issuance of liquor licenses.
- ▶ To provide an unbiased forum for hearing matters of complaints, violation under the legislation and other matters requiring judicial resolution.
- ▶ To conduct continuous research and study on the public perceptions and impacts of gaming in Nova Scotia, in accordance with its legislative mandate.

Organization

The Alcohol and Gaming Authority has a staff complement of approximately 85 and operates from premises in Dartmouth, Halifax, and Sydney. Compliance staff are located throughout the Province with responsibilities for specific geographic regions. In addition, under contract with the Authority, a complement of police officers provides casino surveillance and security clearance services. The organizational structure of the Authority is as follows:

Organizational Structure of the Alcohol and Gaming Authority



Core Functions

Licensing

Issues licenses to operators of gaming, liquor and amusements activities in the Province. This includes licensing of:

- ▶ bingos, bingo suppliers;
- ▶ liquor establishments on a permanent and occasional basis;
- ▶ (amusement) video outlets, theatres, places of amusement; and
- ▶ casino operators, staff and suppliers.

Investigation & Enforcement

Monitors and inspects the conduct of licensees throughout the Province and investigates complaints of regulatory non-compliance.

Compliance officers are responsible for monitoring the regulatory compliance of more than 20,000 licensees and conducting compliance surveillance at the casinos. Compliance officer visits and all licensees are focussed on developing an understanding and compliance with the Acts and their regulations.

Research

Conducts, manages and publishes research into the public perceptions associated with gaming; the broad social, health, justice, environment and economic impacts of gaming; as well as monitors research conducted worldwide. Maintains data bases of liquor and gaming activity levels in the Province, analyses alcohol and theatre and amusement issues and makes recommendations for improvements.

Judicial

Members of the Board conduct impartial Public Hearings on liquor applications, hear all matters of complaints and investigations and provide an avenue of appeal to regulatory actions.

Film Classification

Provides the classification of film and video for release in Nova Scotia. Classification is made under the "Maritime Film Classification" name and is also utilized as a rating service by New Brunswick and Prince Edward Island.

BOARD MEETINGS AND HEARINGS

During the fiscal year, the Authority's Board of Directors met on 127 days to consider gaming, liquor or amusement related matters. The Authority convened 46 gaming panels during the fiscal year. The Authority also held 15 business meetings.

Disciplinary Hearings

The Authority also considered 16 disciplinary matters (1 gaming and 15 liquor). Action taken ranged from official warnings to suspension of licensing privileges.

Public Hearings

The Board held 99 Public Hearings at the following locations, pursuant to the provisions of the *Liquor Control Act*:

Amherst, Annapolis Royal, Antigonish, Baddeck, Barrington Passage, Bedford, Bible Hill, Bridgewater, Chester, Dartmouth, Digby, Dominion, Elmsdale, Florence, Grand River, Greenwood, Guysborough, Hamonds Plains, Kentville, Liverpool, Lower Argyle, Meteghan, Mount Uniacke, Middle Ohio, Mushaboom, New Glasgow, New Minas, New Waterford, Parrsboro, Pleasant Bay, Port Hawkesbury, Queensport, Reserve Mines, Seabright, Shelburne, St. Anne de Ruisseau, Stewiacke, Sydney, Tantallon, Tatamagouche, Tidnish Bridge, Truro, Wentworth, Western Shore, Weymouth, Windsor, and Yarmouth.

Other Matters (Liquor)

During the 1997/98 fiscal year, the Board also transferred 56, suspended 7, and expired 93 liquor licenses which did not require Public Hearings.

RESEARCH SERVICES

In 1997/98 the Authority embarked on a program of gaming research. While the results are presented in the Annual Gaming Report 1997/98, the studies it has conducted are as follows:

- ▶ Bingo House Rules Survey
- ▶ A Survey of The Prevalence and Perceptions of Gaming in Nova Scotia
- ▶ What is in a Name? Exploring Definitions of Problem Gambling Among Nova Scotians
- ▶ Gaming Stakeholder Interviews
- ▶ Tri-County Pilot Study
- ▶ Interim Report: Towards a Convenience Model of Gaming and its Social Effects in Nova Scotia
- ▶ Two Sides of Gaming: Perceptions of the Social Costs and Benefits of Gaming Among Regular Video Lottery, Casino, Bingo, and Lottery Players
- ▶ Prevalence Studies - Moving Beyond the Numbers: a Critical Summary of the Debate Surrounding the Conceptualization and Measurement of Problem Gambling in Canada
- ▶ An Economic Impact Analysis of the Construction of a Permanent Casino in Halifax
- ▶ An Economic Impact Analysis of Bingo in Nova Scotia

GAMING REGISTRATION APPLICATIONS

	Total	Halifax	Sydney
Casino Registrations			
Gaming Related Supplier	6		
Gaming Related Supplier Employees	108		
Non-Gaming Related Supplier	42		
Non-Gaming Related Supplier Employees	209		
Casino Employees	227	144	83
Bingo Registrations			
Bingo Supplier	1		
Bingo Supplier Employees	4		
TOTAL	597	144	83

GAMING LICENSE APPLICATIONS/ISSUANCE

The following applications were approved and issued by the Alcohol and Gaming Authority during the fiscal year.

Gaming

<i>License Type</i>	<i>Series¹</i>	<i>Single²</i>
Bingo	444	202
Ticket Lottery	398	568
Permits		4,798
Break-open		101
Games of Chance/Carnival		176
TOTAL	842	5,845

1. "Series" bingo licenses are issued to organizations wishing to carry on a series of regular bingo events.
2. "Single" bingo licenses are issued for individual bingo events.

LIQUOR LICENSE APPLICATIONS/ISSUANCE

The following liquor licenses were issued by Alcohol and Gaming Authority staff pursuant to the *Liquor Control Act*.

Liquor

<i>License Type</i>	<i>Granted*</i>	<i>Issued*</i>	<i>Denied</i>
Eating Establishment (Restricted)	6	6	
Eating Establishment (Unrestricted)	86	87	
Lounge	54	64	2
Beverage Rooms	7	8	1
Club	7	7	
Cabarets	1	1	
Special Premises	18	20	
Catering	4	4	
Military	0	0	
SUB-TOTAL	183	197	3

* Some licenses are granted in one fiscal year but issued in another.

Special Occasion Licenses

<i>License Type</i>	<i>Issued</i>
Class I	1,134
Class II	4,960
Class III	2,400
SUB-TOTAL	8,494

FILM/VIDEO PERMITS**Film/Video Permits**

	<i>Video</i>	<i>35mm</i>	<i>Combined</i>
General	159	11	170
Parental Guidance	296	34	330
Adult Accompaniment	328	111	439
Restricted	213	33	246
Explicit Material	674	1	675
Rejected	2		2
TOTAL	1,672	190	1,862

INSPECTION SERVICES

Liquor, gaming, and amusement inspections are regularly conducted throughout Nova Scotia by Alcohol and Gaming Authority compliance officers. A summary of their activities for the year follows:

Inspections

<i>Inspections</i>	<i>Total</i>
Gaming	
Bingo	656
Casino	13,145
Lottery (Tickets)	33
Liquor	26,704
Amusement	7,776
TOTAL	48,314

<i>Complaints Investigated</i>	<i>Total</i>
Gaming	
Bingo	174
Casino	17
Lottery (VLT)	53
Liquor	180
Amusement	11
TOTAL	435

Special Investigations (outside of scheduled inspections & complaints)	<i>Total</i>
Gaming	
Bingo	13
Casino	29
Lottery (VLT)	7
Lottery (Ticket)	3
Liquor	73
Amusement/Theatre	5
TOTAL	130

<i>Written Warnings Issued</i>	<i>Total</i>
Gaming	
Bingo	11
Casino	2
Lottery (VLT)	3
Liquor	74
Amusement/Theatre	10
TOTAL	100

<i>Seizures Made</i>	<i>Total</i>
Amusement/Theatre (Video)	42
TOTAL	42



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Auditors' Report

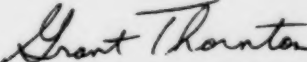
To the Board of Directors of the
Nova Scotia Alcohol & Gaming Authority

We have audited the balance sheet of the Nova Scotia Alcohol & Gaming Authority as at March 31, 1998 and the statement of revenue and expenditures for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform our audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 1998, and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

Dartmouth, Nova Scotia
June 19, 1998


Chartered Accountants

Nova Scotia Alcohol & Gaming Authority

Statement of Revenue and Expenditures

Year Ended March 31

1998

1997

Revenue		
Liquor license fees	\$ 7,055,639	\$ 6,747,628
Lottery licenses and fees	1,745,697	1,765,841
Casino fees	263,985	213,740
Amusement licenses	137,525	100,605
Amusement tax	314,324	2,497,717
Pari-mutuel tax	426,201	177,882
Film screening and distribution fees	<u>388,344</u>	<u>-</u>
	10,311,715	11,503,413
Administrative expenditures (Page 5)	<u>6,481,638</u>	<u>6,345,847</u>
Net revenue	<u>\$ 3,830,077</u>	<u>\$ 5,157,766</u>

See accompanying notes to the financial statements.

Nova Scotia Alcohol & Gaming Authority

Balance Sheet

March 31	1998	1997
Assets		
Current		
Cash	\$ 264,106	\$ 15,841
Receivables (Note 3)	812,304	373,623
Prepaid expenses	<u>1,000</u>	<u>1,354</u>
	<u>\$ 1,077,410</u>	<u>\$ 390,818</u>
Liabilities		
Current		
Payables and accruals	\$ 114,388	\$ 86,326
Deferred revenue	11,050	9,000
Due to Nova Scotia Liquor Commission	<u>-</u>	<u>23,630</u>
	<u>125,438</u>	<u>118,956</u>
Equity		
Due to Minister of Finance		
Balance, beginning of year	271,862	528,740
Net revenue	3,830,077	5,157,766
Remittances	<u>(3,149,967)</u>	<u>(5,414,644)</u>
Balance, end of year	<u>961,972</u>	<u>271,862</u>
	<u>\$ 1,077,410</u>	<u>\$ 390,818</u>

Contingency (Note 4)

On behalf of the Authority

Director

Director

See accompanying notes to the financial statements.

Nova Scotia Alcohol & Gaming Authority

Notes to the Financial Statements

March 31, 1998

1. Nature of operations

The Nova Scotia Alcohol & Gaming Authority, formerly the Gaming Control Commission and the Liquor License Board, is a regulatory body responsible for the administration and enforcement of the Gaming Control Act, the Theatres and Amusement Act and the Liquor Control Act. Revenues reported during the fiscal year ending March 31, 1998 were derived from the sale and renewal of licenses and registration fees and collection of taxes. Revenue and expenditures relevant to the Film Classification Board were included in the records of the Authority for the first time in the year ended March 31, 1998. Prior years' revenue and expenditures were included in the records of the Department of Housing and Consumer Affairs.

Effective April 1, 1997, sections of the Theatres and Amusement Act relating to the application of amusement taxes were repealed. Coincidental with this change, enactment of the Harmonized Sales Tax legislation transferred all responsibility for tax collection to the Federal Government, with the exception of pari-mutuel tax. Amounts shown on these statements for the year ended March 31, 1998 reflect taxes received relating to the prior year.

2. Significant accounting policies

These financial statements have been prepared in accordance with generally accepted accounting principles except that furniture, equipment and leasehold improvements are expensed in the year of acquisition but not capitalized.

3. Receivables

	<u>1998</u>	<u>1997</u>
Amusement tax	\$ 150,156	\$ 216,410
Film screening fees	72,551	-
Gaming fees	143,077	168,515
Liquor license fees	398,840	136,517
Other	61,166	-
Lottery licenses and fees	-	7,062
Pari-mutuel tax	<u>1,101,796</u>	<u>946,796</u>
	1,927,586	1,475,300
Less: Allowance for doubtful accounts	<u>1,115,282</u>	<u>1,101,677</u>
	<u>\$ 812,304</u>	<u>\$ 373,623</u>

4. Contingency

Legal actions have been filed against the Authority by two airlines to recover fees paid on liquor during flights. No provision has been made in the financial statements for this action as the outcome is not yet determinable.

Nova Scotia Alcohol & Gaming Authority

Schedule of Administrative Expenditures

Year Ended March 31

1998

1997

Advertising and promotion	\$ 46,216	\$ 6,123
Bad debts	13,605	136,361
Computer processing	28,637	3,620
Equipment	135,810	245,217
Equipment leasing	24,353	22,542
Freight and duty	11,092	7,444
Grants and assistance	-	158,630
Meetings	29,168	75,924
Office	13,663	12,327
Other	8,542	66,638
Postage	34,273	31,969
Printing and stationery	92,029	120,576
Professional fees	934,121	419,849
Relocation	165,981	9,092
Rent	106,968	126,317
Repairs and maintenance	3,720	3,249
Security services	788,700	953,000
Telephone	162,917	189,566
Travel	434,165	450,694
Training and development	21,051	29,216
Wages and benefits	<u>3,426,627</u>	<u>3,277,293</u>
	<u>\$ 6,481,638</u>	<u>\$ 6,345,647</u>